



To: Mayor & Council

From: Passion Hayes, Director of Human Resources

Through: Lea Dunn, City Manager

Re: Proposed Compensation Philosophy

Date: June 19, 2014

Over the last few months, City Council and employees from across the organization have met and discussed a possible compensation philosophy. Based on the discussion and feedback from the meetings, listed below is a proposed compensation philosophy for Council consideration and adoption.

The cost to implement the proposed compensation philosophy is \$900,143 for fiscal year 2014-2015. A breakdown of the cost includes \$437,162 for sworn police and fire employees and \$462,981 for civilian employees.

Currently included in the budget is the following statement regarding compensation.

Addison addresses employee compensation through a merit and market pay plan. The purpose of the merit and market pay plan is threefold: to encourage excellence in service by tying salary increases to job performance rather than tenure; to reward employees for their efforts and job performance; and to remain competitive with other Metroplex cities in regards to employee compensation.

The following proposed language articulates how the policy would be administered.

1. Annual budgeting for market and merit compensation that is fair, both internally and externally, and in a way that is financially sustainable. Market is defined as the average (50th percentile) of our comparative cities.
2. Council's philosophy is to provide successfully performing employees the opportunity and ability to reach the adopted pay range midpoint within 5 years and reach the top of the adopted pay range within 10 years.
3. Regular survey analysis to gauge market movement; survey analysis shall be performed at least every three (3) years and any needed market corrections to salary schedule(s) shall be made in a reasonable timeframe, driven by market conditions and the Town's budgetary situation.
4. Ordinarily, an employee's salary will be no less than the entry level or greater than the top salary level for the assigned pay range for the position occupied by the employee.

5. For employees at or above the top salary level for the assigned position, any further salary adjustments or lump sum allowances shall be approved annually by the Town Council.

As you may recall, several of our comparison cities have compensation philosophy statements which are included below.

- Allen – “to maintain market average”
- Farmers Branch – “...to maintain a competitive pay structure for the purpose of recruiting and retaining an effective and efficient work force”
- Frisco – to be in top 3 w/ Plano, Allen, McKinney
- Plano – “...to survey market median actual averages, with target position as current year’s market data plus 5%”
- Richardson – “Top 3rd of comparison cities”
- Coppel – “Top 3rd of comparison cities”
- Carrollton – goal of staying within 5% of market; and they also keep a pool of money for market corrections in event they run into years when increases are not possible.

If you have any questions, please let me know.